

<https://www.wsj.com/business/harley-davidson-dealers-accuse-bike-maker-of-hogging-profits-9079166f>

EXCLUSIVE BUSINESS

Harley-Davidson Dealers Accuse Bike Maker of Hogging Profits

Excess inventory and showroom upgrade requirements risk killing the 'Golden Goose,' dealers say

By [John Keilman](#) [Follow](#)

Aug. 13, 2024 at 10:00 am ET



Harley says it plans to cut motorcycle shipments in the second half of this year to bring them in line with retail sales.

PHOTO: LUKE SHARRETT/BLOOMBERG NEWS

A group that represents more than 200 of Harley-Davidson's HOG **5.40%** ▲ U.S. dealers said the motorcycle maker has boosted its profit margins at their expense, threatening their viability.

The Harley-Davidson Dealer Council of the National Powersports Dealer Association outlined its grievances in a letter recently sent to its members and Harley's chief commercial officer, a copy of which was viewed by The Wall Street Journal.

The letter said Harley is shipping dealers too many bikes during a time of slow sales, requiring them to spend too much money remodeling their dealerships and taking other measures that hurt dealers' profits.

Investors cheered Harley's better-than-expected quarterly earnings last month and its plans to spend \$1 billion on stock buybacks through 2026, but the pronouncements drew the ire of some dealers.

"We believe that much of what was taken from dealerships has fueled a large part of this," the letter said, citing Harley's robust profits. "They could very well kill off their 'Golden Goose.'"

A Harley spokesman said the council represents a small portion of its dealer network, which at the end of last year numbered 589 in the U.S. and 1,277 worldwide. He said that while the entire powersports industry is struggling with high interest rates, a dealership's profitability is determined mainly by its own performance, adding that some are seeing double-digit revenue growth.

Harley has said it plans to cut motorcycle shipments in the second half of this year to bring them in line with retail sales. The company has suspended facility upgrade requirements for dealers in 2025, the spokesman said.

Dealers are the front line of Harley's sales efforts, often serving as community hubs that forge connections between customers and the brand. The rancor is bubbling into public view at an inopportune time: Harley sales have dropped precipitously since their 2006 peak as its core riders age and younger generations shun motorcycling.

Under Chief Executive Jochen Zeitz, the company has focused on producing the more expensive and profitable bikes in its cruiser and touring lines, a strategy that has improved Harley's bottom line.

There are too many dealers chasing too few customers, the letter said, citing an industry group's projection that sales will be flat for the next five years. The number of U.S. Harley dealerships has fallen by about 100 during Zeitz's tenure, but the dealers' council is pushing for further consolidation.

Harley's spokesman said that the company has finished its consolidation program, and that its focus is now on improving dealer profitability.

Kathy Yevoli, former owner of Rocky Mountain Harley-Davidson, a dealership outside of Denver that closed in 2022, cautioned that closing stores can strain the loyalty of customers who often regard them as gathering places.

"Because they were accustomed to being treated a certain way, any time you change that, they're considered an outsider," she said.

The dealers' letter adds to the criticism the iconic American manufacturer has faced in recent weeks.

Activist Robby Starbuck, who has led social-media campaigns against companies he considers "woke," has targeted Harley for supporting LGBTQ+ causes and what he calls its "total commitment" to diversity, equity and inclusion policies.

Some dealers said customers have asked questions about Harley's politics, but the overall impact of Starbuck's campaign on bike sales isn't immediately known.

The Harley spokesman declined to comment on current sales but said having a broad customer base is good for business. Harley shares closed Monday trading at around \$35, down roughly 5% for the year.

While some dealers are complaining about overstuffed inventories, they might soon face a thorny decision over which models to carry.

Harley is moving U.S. production of its entry-level Nightster and Sportster S models, as well as its Pan America adventure bikes, to its Thailand factory for the 2025 model year. Harley launched the plant in 2018 in part to avoid hefty European tariffs on motorcycles imported from the U.S. Then-President Donald Trump criticized the move, which followed the announcement of the closure of a Harley plant in Kansas City, Mo.

Harley's spokesman said the motorcycles were designed for international markets and contribute little to the company's U.S. revenue. Dealers will be able to choose whether to stock them, he said.

A labor union, which represents nearly 1,400 workers at Harley's plants in Pennsylvania and Wisconsin, is seeking a reversal of the company's decision and is pushing for local politicians, Congress and the White House to take up the cause, said Brian Bryant, international president of the International Association of Machinists and Aerospace Workers.

"That's going to be a big task, but I think that if we've got political pressure from all those different levels, maybe Harley-Davidson will listen to them," he said.

Write to John Keilman at john.keilman@wsj.com

Appeared in the August 14, 2024, print edition as 'Harley-Davidson Dealers Accuse Bike Maker of Hogging Profits'.

Videos

